

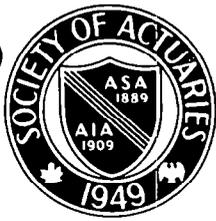


SOCIETY OF ACTUARIES

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NON-TRADITIONAL MARKETING SECTION

By H. Michael Shumrak

The Non-Traditional Marketing Section was formed in 1984. The purpose of the Section is to encourage and facilitate the professional development of its members through activities such as meetings, seminars, research studies and the generation and dissemination of literature which addresses non-traditional marketing subjects. The Section focuses on those product delivery systems and methods which are not the primary focus of other Sections.

The Section encompasses the following areas: direct response, payroll deduction, association group, credit insurance, and sales of insurance products through stockbrokers, banks, S&L's and retailers. In addition to covering these non-traditional distribution channels, the Section also concerns itself with the application of non-traditional marketing methods to support traditional distribution systems. For example, direct mailing techniques can be used to generate sales leads for an agency distribution system.

The majority of the over 900 Section members are insurance company actuaries (76%). Many of these members are either involved in product development or marketing development for non-traditional marketing distribution systems. A substantial percentage of the non-insurance company members are in the consulting field. Canadian and non-North American members comprise over 10% of the Section. The initial Section Council was established with an eye toward achieving a balance among geographical regions and areas of non-traditional marketing specialty.

During its first two years, the Section's primary efforts have been

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A SUMMER THUNDERSTORM

Some students sitting for the May exams were hurt by a computer foul-up when the examination results were announced in early July. John O'Connor, the Society's Executive Director, made a report to the Board as to what exactly occurred. *The Actuary* feels that its readers are entitled to a summary of this disturbing information.

On July 3, the results of the multiple-choice only exams were mailed to all candidates. The mailing included two items: (1) the official pass list, and (2) the candidate's individualized grade. Those with grades of 6 and above should have appeared on the pass list, but those with grades of 5 and below should not.

On July 7, as the Itasca office first opened after the holiday, the thunderstorm struck. There were numerous telephone calls from confused candidates reporting disagreement between the pass list and the reported grade. It was quickly noted that the problem was confined to Parts 4, 5, and 7 (EA1), and that the pass lists were accurate; but that many of the individual grades for these three parts were incorrect.

It was later determined that human failure to update manually the passing grade (in the sub-routine that produces the individual grades) was the cause of all of the difficulty.

As to parts 4 and 7 (EA1), the results of the error were not too serious. The grades of a number of these students were reported as 5 when the pass list showed (correctly) that they had passed. Almost immediate corrections were communicated indicating a passing grade. Here the correction was clearly "good news" to the students affected, and little harm was done.

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RANDOM SAMPLER

By Frederick W. Kilbourne

The article that follows first appeared in the August 1986 issue of *The Actuarial Review*, the newsletter of the Casualty Actuarial Society. It was therefore written for an audience of casualty actuaries. Its basic point, however, applies to all actuaries: there is only one actuarial profession, whatever our sect or denomination. The acquisition of a major insurance actuarial firm by a major pension consulting firm may provide a special opportunity for that point to be made.

The acquisition of Tillinghast, Nelson & Warren (Tillinghast) by Towers, Perrin, Forster & Crosby (Towers) is a significant event to casualty actuaries. What's more, it appears to be recognized as such, which is not always true of significant events. Perhaps it's not surprising, however, in view of the facts that the new Tillinghast is the largest employer of casualty actuaries, has about two dozen offices scattered across the country and around the world, and has roughly a 50 percent market share of the fastest-growing segment (consulting) of the casualty part of the actuarial profession. But it's not merely size statistics that makes the merger a significant event to casualty actuaries. The greater significance lies in the connection with alien concepts such as employee benefits, not to mention pension actuaries.

One score and two years ago I began life anew, as a consulting actuary, and specifically as a pension actuary. The clients were primarily corporations with defined benefit retirement plans, ERISA and TEFRA had not yet been invented, and the work of the pension

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DEATH

James T. Phillips

FSA 1924

**Non-traditional
Marketing Section***(Continued from page 1)*

directed toward providing educational programs for the benefit of the members. The Section has been very active in supporting the expanding role of the Sections in the program development and the recruiting process on behalf of the Society's Program Committee. Included among recent SOA programs have been the following Section-sponsored sessions: direct response marketing, accounting for non-traditional distribution systems (jointly with the Financial Reporting Section), mass marketing on an international scale, marketing arrangements with financial institutions, voluntary salary deduction programs, current regulatory topics in credit insurance, marketing to senior citizens, regulation of direct response marketing, non-traditional marketing - products and delivery, open forums on current topics in non-traditional marketing, and a luncheon speaker from the executive staff of the American Association of Retired People. (AARP).

We plan to continue our active participation in the area of SOA program development and recruitment. There will be a Section-sponsored SOA seminar entitled "Strategies to Succeed in Direct Marketing", which will be presented the day before the Chicago annual meeting. The objective of the seminar is to create an understanding of the marketing and product development process required to develop a profitable direct response operation. It will be repeated in two other cities in successive months. We will also be sponsoring sessions during the Chicago annual meeting on such topics as association group, non-traditional marketing through broadcast media, round table discussions of current interest topics in non-traditional marketing, and a Section luncheon which will consist of a brief business session followed by an

open forum discussion of recent trends in direct response marketing. This discussion will be led by two prominent direct response marketing professionals serving as the luncheon's guest speakers. Their initial remarks will provide a contrast of the growth strategies of a large, established direct response company with those required of a smaller, more recent entrant into this increasingly competitive market. For the spring meetings in 1987, we have planned sessions on trends in non-traditional marketing of health products, reserving for credit mortgage insurance, and accounting for deferred acquisition costs for direct response and credit insurance operations.

Members of the Section have been very active as liaisons both within the Society and with other related professional organizations. Examples include the Society's Continuing Education Committee, the Council of Section Chairpersons, the Direct Marketing Insurance Council (this is the insurance industry's special interest Section within the Direct Marketing Association), LIMRA, the Professional Insurance Marketing Association (PIMA), and the Consumer Credit Insurance Association (CCIA). We plan to increase our coordination with the other Sections with respect to future SOA meeting and seminar activities. During 1987, the Section plans to co-sponsor a panel discussion to be presented at the Direct Marketing Insurance Council's (DMIC) spring meeting. We have also encouraged their members to participate in future SOA meetings. In fact, some of them are going to participate as speakers during the fall seminar and meeting season.

Research activities have been in progress since Section's inception. A detailed membership survey was conducted to provide the Section Council with a profile of our group. The survey has helped us to plan to achieve an appropriate balance of Section activities among the many and diverse specialty areas that fall within the broad topic of non-traditional marketing. The survey will be updated in the coming year. Another research project in the works is the establishment of an experience data bank for direct marketing insurers. The objective is to accumulate and share recent mortality, morbidity and persistence experience of direct marketed life and health products. This will be done

MAIL ALERT

Members should by now have received Volume XXXVII of *TSA*. This publication is at long last back on schedule, Volume XXXVII being the *Transactions* for the year 1985. Write the Society office if you have not received your copy.

on a clearing house basis, so as to protect the proprietary interests of each participating company.

The Section has also initiated an Education Task Force. A bibliography of non-traditional marketing source materials has been compiled. It will cover all references from the Society exam material as well as other sources of information on non-traditional marketing topics. This task force is expected to evolve into an Education Committee which will endeavor to assist both the E&E and the Continuing Education Committees.

A Section newsletter is currently under development. It will provide members with emerging trends in non-traditional marketing as well as news of upcoming Section activities and events. It will also include articles that provide background and fundamentals relating to the various non-traditional marketing channels and methods. For example, the upcoming newsletter will contain articles on credit insurance principles, direct response marketing through third party endorsements, and an overview of the regulatory environment for direct response marketed product solicitations. The newsletter will also endeavor to include "networking" information to facilitate the productive exchange of ideas and information among the Section's members.

We have been most encouraged by our membership's positive response to and active participation in the Section's activities. We appreciate the fine efforts of the many Section members who have willingly provided their time and expertise through staffing committees, speaking at meetings and seminars, writing articles, and service on the Council. If you have any questions, ideas or suggestions that you wish to share with the Council, by all means contact us at our *Yearbook* phone or address (see page 30 of the 1986 *Yearbook*). □